

CITY OF PARKSVILLE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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YEAR ENDED DECEMBER 31, 2012

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**CITY OF PARKSVILLE
MANAGEMENT REPORT
2012 FINANCIAL STATEMENTS**


The preparation of these Financial Statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles or stated accounting principles, and the integrity and objectivity of these statements are management's responsibility.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.


Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of Council. The Audit Committee meets with the external auditors two times per year.

The external auditors, McGorman MacLean, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of Council.

On behalf of City of Parksville



G. Lucky Butterworth, BBA, CGA
Director of Finance



Chris Burger
Mayor

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the
City of Parksville

Report on Financial Statements

We have audited the accompanying consolidated statement of financial position of the City of Parksville as at December 31, 2012 and the consolidated statements of operations, cash flows and changes in net financial assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2012 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian Public Sector Accounting Standards.

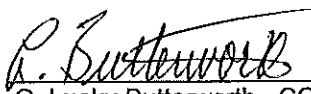

CHARTERED ACCOUNTANTS


CITY OF PARKSVILLE
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT DECEMBER 31, 2012

STATEMENT A

	2012	2011
FINANCIAL ASSETS		
Cash	\$ 13,013,199	\$ 11,916,827
Investments (Note 2)	16,090,912	14,065,199
Accounts receivable (Note 3)	2,759,482	2,347,797
	31,863,593	28,329,823
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	1,731,669	1,920,409
Deferred revenue	26,731	59,392
Deposits and other liabilities (Note 5)	2,993,993	3,101,959
Employee benefit accrual (Note 6)	475,659	416,335
Deferred revenue - federal gas tax (Note 7)	1,676,370	1,304,972
Deferred revenue - development cost charges (Note 8)	6,022,069	5,931,570
Long term debt (Note 9)	3,093,834	3,412,754
	16,020,325	16,147,391
NET FINANCIAL ASSETS	15,843,268	12,182,432
NON-FINANCIAL ASSETS		
Prepaid expenses	30,965	48,526
Inventory	41,891	24,677
Tangible capital assets (Note 10)	148,271,816	149,561,053
	148,344,672	149,634,256
ACCUMULATED SURPLUS (Note 11)	\$ 164,187,940	\$ 161,816,688

Contingent liabilities (Note 12)
 MFA debt reserve fund (Note 13)


 G. Lucky Butterworth, CGA
 Director of Finance


 Chris Burger
 Mayor

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF OPERATIONS
 YEAR ENDED DECEMBER 31, 2012

STATEMENT B

	2012 Budget (unaudited)	2012 Actual	2011 Actual
REVENUE			
Taxation	\$ 11,068,598	\$ 11,067,596	\$ 10,646,049
Water and sewer user fees	3,557,620	3,578,464	3,373,754
Services provided to other governments	530,100	449,037	535,420
Sale of services	1,345,098	1,388,790	1,288,381
Interest	295,000	355,656	331,916
Other revenue from own sources	168,300	209,044	221,857
Government transfers	508,750	722,090	693,986
Capital grants	658,361	401,187	47,119
Developer cash contributions	185,458	163,569	134,914
Developer contributions of tangible capital assets	-	108,406	496,321
Transfer from deferred revenue	2,730,303	629,553	1,275,364
Gain (loss) on disposal of tangible capital assets	-	(193,561)	6,730
	<u>21,047,588</u>	<u>18,879,831</u>	<u>19,051,811</u>
EXPENSES			
General government services	2,023,589	2,309,066	2,010,532
Protective services	3,456,863	3,287,602	2,901,514
Transportation services	4,607,737	3,880,747	3,846,593
Planning	989,482	989,368	745,010
Environmental health services	617,100	619,242	587,532
Parks and cultural services	2,462,900	2,245,566	2,267,694
Water services	2,681,291	2,016,792	1,968,888
Sewer services	1,493,270	1,160,196	1,090,337
	<u>18,332,232</u>	<u>16,508,579</u>	<u>15,418,100</u>
ANNUAL SURPLUS	2,715,356	2,371,252	3,633,711
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>161,816,688</u>	<u>161,816,688</u>	<u>158,182,977</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u>\$ 164,532,044</u>	<u>\$ 164,187,940</u>	<u>\$ 161,816,688</u>

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2012

STATEMENT C

	2012	2011
CASH PROVIDED BY OPERATIONS		
Annual surplus	\$ 2,371,252	\$ 3,633,711
Items not involving cash:		
Amortization	3,358,149	3,271,176
(Gain) loss on disposal of tangible capital assets	193,561	(6,730)
Land disposal by grant	351,054	-
Developer contributions of tangible capital assets	(108,406)	(496,321)
Actuarial reduction to long term debt	(123,148)	(109,687)
Changes in non-cash operating working capital:		
Decrease (increase)		
Investments	(2,025,713)	(68,654)
Accounts receivable	(411,685)	281,574
Prepaid expenses	17,560	(24,387)
Inventory	(17,215)	(7,380)
Increase (decrease)		
Accounts payable and accrued liabilities	(188,740)	(143,439)
Deferred revenue	(32,660)	22,300
Deposits and other liabilities	(107,966)	(294,644)
Employee benefit accrual	59,324	(7,353)
Deferred revenue - federal gas tax	371,398	365,126
Deferred revenue - development cost charges	90,499	(615,470)
Cash provided by operating transactions	3,797,264	5,799,822
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(2,538,626)	(5,880,480)
Proceeds from the sale of tangible capital assets	33,506	100,750
Cash applied to capital transactions	(2,505,120)	(5,779,730)
FINANCING TRANSACTIONS		
Long term debt repayment	(195,772)	(194,871)
INCREASE (DECREASE) IN CASH	1,096,372	(174,779)
CASH AT BEGINNING OF YEAR	11,916,827	12,091,606
CASH AT END OF YEAR	\$ 13,013,199	\$ 11,916,827
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid for interest on debt	\$ 141,388	\$ 187,621

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED DECEMBER 31, 2012

STATEMENT D

	<u>Budget</u> (unaudited)	<u>2012</u>	<u>2011</u>
ANNUAL SURPLUS	\$ 2,715,356	\$ 2,371,252	\$ 3,633,711
Acquisition of tangible capital assets	(8,235,619)	(2,647,032)	(6,376,800)
Amortization of tangible capital assets	3,253,350	3,358,149	3,271,176
(Gain) loss on disposal of tangible capital assets	-	193,561	(6,730)
Land disposed of by grant	-	351,054	-
Proceeds on sale of tangible capital assets	-	33,506	100,750
	(2,266,913)	3,660,490	622,107
Acquisition of supplies inventory	-	(41,891)	(24,677)
Acquisition of prepaid expenses	-	(30,965)	(48,526)
Consumption of supplies inventory	-	24,676	17,297
Use of prepaid expenses	-	48,526	24,139
	-	346	(31,767)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,266,913)	3,660,836	590,340
NET FINANCIAL ASSETS AT BEGINNING OF YEAR	12,182,432	12,182,432	11,592,092
NET FINANCIAL ASSETS AT END OF YEAR	\$ 9,915,519	\$ 15,843,268	\$ 12,182,432

The accompanying notes are an integral part of these financial statements

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

The City of Parksville operates under the authority of the Local Government Act of British Columbia. The City's principal activities include the provision of services to residents of Parksville. These include protective services, engineering and public works, parks, community planning, general government, water, sewer and solid waste.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Consolidated financial statements have been prepared in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The consolidated statement of financial position includes all assets and liabilities of the City. Interfund transactions and balances have been eliminated.

b) Cash and investments

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary. At various times during the term of each individual investment, market value may be less than cost. Such declines in value are considered temporary for investments with known maturity dates as they generally reverse as the investments mature and therefore an adjustment to market value of these market declines is not recorded.

c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventory

The City maintains a minimal level of parts and supplies on hand. Larger inventory items are included on the statement of financial position and are recorded at cost at year end. Spare parts and supplies are expensed when purchased.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Non-financial assets (continued)

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisitions, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 - 50 years
Buildings	50 years
Vehicles, machinery and equipment	5 - 20 years
Information technology	5 - 25 years
Roads, sidewalks and lighting	20 - 75 years
Storm sewer systems	15 - 70 years
Water systems and AWS dam	15 - 80 years
Sanitary sewer systems	15 - 60 years

A full year of amortization is charged in the year of acquisition and none in the year of disposal. Assets under construction are initially recorded as work in progress and are not amortized until the asset is available for productive use.

d) Basis of accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Expenses are recorded in the period the goods and services are acquired and a liability is incurred or transfers are due.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

In 2009, the City's implementation of the Public Sector Accounting Handbook PS3150 required management to make estimates of historical cost and useful remaining lives of tangible capital assets. Actual results could differ from these estimates.

2. INVESTMENTS

		<u>2012</u>	<u>2011</u>
Short-term notes and deposits	Cost	\$ 10,890,912	\$ 14,065,199
Long-term notes and deposits	Cost	5,200,000	-
		<u>\$ 16,090,912</u>	<u>\$ 14,065,199</u>
Short-term notes and deposits	Market value	\$ 10,890,912	\$ 14,148,560
Long-term notes and deposits	Market value	5,200,000	-
		<u>\$ 16,090,912</u>	<u>\$ 14,148,560</u>

Short-term notes and deposits have interest rates varying from 1.35% to 1.85% (2011 - 1.30% to 1.7%) and mature in less than one year. Long-term notes and deposits have interest rates varying from 2.15% to 2.40%.

3. ACCOUNTS RECEIVABLE

	<u>2012</u>	<u>2011</u>
Property taxes and utilities receivable	\$ 926,963	\$ 840,503
Accrued utilities receivable	971,900	859,500
Receivable from provincial government	-	23,198
Receivable from federal government	102,716	376,403
Receivable from other government agencies	382,115	-
Trade accounts receivable	201,701	131,246
Accrued interest receivable	174,087	116,947
	<u>\$ 2,759,482</u>	<u>\$ 2,347,797</u>

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Payable to federal government	\$ 511,809	\$ 498,412
Payable to provincial government	117,646	73,122
Payable to other government agencies	169,704	257,580
Trade accounts payable	521,112	755,447
Accrued payroll and vacation payable	411,398	335,848
	\$ 1,731,669	\$ 1,920,409

5. DEPOSITS AND OTHER LIABILITIES

	2012	2011
Prepaid property taxes and utilities	\$ 1,508,063	\$ 1,558,843
Development security deposits	1,202,686	1,284,437
Developer contributions and grant deposits	282,190	257,320
Building permit and other advance deposits	1,054	1,359
	\$ 2,993,993	\$ 3,101,959

6. EMPLOYEE BENEFIT ACCRUAL

	2012	2011
Retirement benefits payable	\$ 372,936	\$ 329,952
Sick time accrual	102,723	86,383
	\$ 475,659	\$ 416,335

Retirement benefits - employees who retire may qualify for a payout of their accumulated unused sick leave bank. Union employees may qualify for a payout of up to 60 days and non-union staff qualify for a payout of up to 261 days if certain restrictions are met. The City calculates the value of this liability based on a statistical analysis of the age and length of service of its workforce. The liability reflects the likelihood that employees will reach the age of 60, retire and become eligible for this benefit.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

7. DEFERRED REVENUE - FEDERAL GAS TAX

Federal gas tax funding is provided by the Government of Canada and the use of the funding is established by a funding agreement between the local government and the Union of BC Municipalities. Funding must be used for designated capital projects as specified in the funding agreement.

The City reports the balance of unused funding as deferred revenue until it is used to fund specified capital projects. Interest is required to be accrued on the fund balance.

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 1,304,972	\$ 939,846
Contributions from government	345,431	345,431
Interest	25,967	19,695
Balance at end of year	<u>\$ 1,676,370</u>	<u>\$ 1,304,972</u>

8. DEFERRED REVENUE - DEVELOPMENT COST CHARGES

Development cost charges represents funds collected from development for capital purposes as specified by a bylaw under the authority of the Community Charter. The collections from development are recorded as a deferred revenue until such time as they are spent for the purposes specified in the City bylaw.

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 5,931,570	\$ 6,547,039
Contributions from developers	611,892	540,111
Interest	108,160	119,784
Transfer to revenue	(629,553)	(1,275,364)
Balance at end of year (Schedule 2)	<u>\$ 6,022,069</u>	<u>\$ 5,931,570</u>

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

9. LONG TERM DEBT

General Revenue Fund

<u>Debenture Debt</u> Purpose	Maturity Date	Interest Rate	2012	2011
Civic and Technology Centre	Dec. 2021	3.05%	\$ 598,868	\$ 650,592
Civic and Technology Centre	Dec. 2021	2.10%	474,003	509,894
Northwest Bay Road				
Local Improvement	Apr. 2025	5.10%	564,463	600,706
Total General fund long term debt			1,637,334	1,761,192

Water Utility Fund

<u>Debenture Debt</u> Purpose	Maturity Date	Interest Rate	2012	2011
Water	Mar. 2018	4.65%	488,744	557,176
Water	Sep. 2018	4.65%	802,355	914,698
Water	Jun. 2021	3.05%	165,401	179,688
			1,456,500	1,651,562
Total long term debt			\$ 3,093,834	\$ 3,412,754

Principal due over the next five years on long term debt is as follows:

	General Fund	Water Fund	Total
2013	\$ 92,057	\$ 104,639	\$ 196,696
2014	93,005	104,639	197,644
2015	93,977	104,639	198,616
2016	94,973	104,639	199,612
2017	95,995	104,639	200,634
	\$ 470,007	\$ 523,195	\$ 993,202

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

10. TANGIBLE CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
Land and land improvements	\$ 52,648,413	\$ 52,765,639
Buildings	10,842,509	10,898,577
Vehicles, machinery and equipment	6,005,771	5,392,704
Infrastructure		
Roads, sidewalks and lighting	52,502,030	50,548,630
Storm sewer systems	24,062,958	23,873,712
Water systems and Arrowsmith Dam	33,797,652	33,630,601
Sanitary sewer systems	16,096,007	15,940,274
Work in progress	<u>1,502,291</u>	<u>2,538,572</u>
	197,457,631	195,588,709
Less: Accumulated amortization	<u>49,185,815</u>	<u>46,027,656</u>
Net book value (Schedule 1)	<u>\$ 148,271,816</u>	<u>\$ 149,561,053</u>

Land and land improvements includes the cost of land under roads recognized at fair market value at the date of acquisition.

Contributed tangible capital assets are recognized at fair market value at the date of contribution. In 2012, \$108,406 (2011 - \$496,321) of tangible capital assets were contributed and included in infrastructure.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

11. ACCUMULATED SURPLUS

	<u>2012</u>	<u>2011</u>
Restricted Surplus		
General revenue fund reserves for future expenditures	\$ 2,904,650	\$ 2,500,367
Water utility fund reserves for future expenditures	813,321	590,721
Sewer utility fund reserves for future expenditures	353,600	10,120
Equity in Arrowsmith Water Services Joint Venture reserves	<u>137,171</u>	<u>118,001</u>
	4,208,742	3,219,209
General revenue fund capital reserve	177,469	174,235
Water utility fund capital reserve	152,498	149,719
Sewer utility fund capital reserve	662,553	650,480
Statutory reserve funds (Schedule 3)	<u>1,821,186</u>	<u>1,661,103</u>
	<u>7,022,448</u>	<u>5,854,746</u>
Unrestricted Surplus		
General revenue fund	5,461,572	3,852,799
Water utility fund	4,008,301	3,125,091
Sewer utility fund	<u>2,517,637</u>	<u>2,835,752</u>
	<u>11,987,510</u>	<u>9,813,642</u>
Equity in tangible capital assets		
General revenue fund	107,694,120	108,689,352
Water utility fund	26,623,344	26,344,598
Sewer utility fund	<u>10,860,518</u>	<u>11,114,350</u>
	<u>145,177,982</u>	<u>146,148,300</u>
	<u>\$ 164,187,940</u>	<u>\$ 161,816,688</u>

The restricted surplus represents reserves to be used to fund specified future expenditures, as authorized by Council. It includes both statutory reserves set up by bylaw under the authority of the Community Charter and reserve accounts, for which Council is not restricted by external parties in providing for the use of funds.

The unrestricted surplus represents the accumulated operating surpluses of the City.

**CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012**

12. CONTINGENT LIABILITIES

- a) The City is responsible, as a member of the Regional District of Nanaimo and the Nanaimo Regional Hospital District, for its proportion of any operating deficits or capital debt related to functions in which it participates.
- b) The City has issued demand notes to the Regional District of Nanaimo totalling \$197,998. These notes are callable only if required by the Regional District.
- c) The municipality and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trusteed pension plan. The Board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has approximately 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The City of Parksville paid \$388,081 for employer contributions to the Plan in fiscal 2012.

- d) Other contingent liabilities consisting of routine claims will be accounted for as an expense in the period in which the costs are incurred. It is not possible to determine the City's liability, if any, with respect to these other matters.

13. MFA DEBT RESERVE FUND

The Municipal Finance Authority requires the City to establish a reserve fund equal to one half the annual instalment of principal and interest of debentures issued. The cash portion of the fund is equal to one percent of the total principal with the remainder to be covered by a non-interest bearing promissory note. The balance of the MFA debt reserve fund is as follows:

	2012	2011
Cash	\$ 103,425	\$ 100,392
Demand note	197,998	197,998
	\$ 301,423	\$ 298,390

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

14. SEGMENTED INFORMATION

The City of Parksville provides a diverse range of services to its citizens including water and sewer, fire, police, bylaw, building inspections and park maintenance among others. The City maintains three separate funds (general revenue, water revenue and sewer revenue) to account for the services. Each fund is expected to cover its expenditures through its own revenue collections.

City services are provided by departments and their activities are reported in one of these funds. Certain departments have been amalgamated to reduce the number of segments and provide information along the following related functional lines:

Protective Services

Includes the provision of police, fire, bylaw and emergency services. The City shares costs in a regional police force that serves Parksville, Qualicum Beach, French Creek, Errington and other local areas within the Regional District of Nanaimo. The City of Parksville has an allocation of 16 police officers. The Parksville volunteer fire department includes three full time officers and 36 volunteer members and provides first responder services in addition to fire protection to Parksville and part of the Regional District of Nanaimo (half of French Creek, San Paniel, and Martindale Road). Bylaw enforcement is provided part time by 2 bylaw officers, one of which also acts as the emergency program coordinator.

Engineering and Public Works

Responsible for the delivery of municipal public works services including the planning, development and maintenance of roads, sidewalks, street lighting, traffic signals, snow removal and facilities. The engineering department also contracts itself to the water and sewer revenue funds for the planning and development of the City's water and sewer infrastructure.

Parks and Cultural Services

Maintains the City's numerous parks and roadside greenery. It also maintains the recreational sports fields, hard courts, dog park and children's playgrounds. Cultural services includes the costs paid to the Vancouver Island Regional Library and Parksville community centres.

Community Planning

Manages urban development for environmental concerns, local neighbourhoods and the downtown through City planning, community development, parks and sustainability planning. It ensures acceptable quality of building construction and property maintenance through enforcement of construction and building codes and standards. It also assists economic development through review and approval of land development plans, application of zoning by-laws and processing of building permit applications.

General Government

Provides services for legislative and general administration as well as financial management, revenue collection, human resources and information technology.

Other Services

Includes activities which do not easily fit into any of the above segment categories including unallocated common service costs and insurance.

CITY OF PARKSVILLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

14. SEGMENTED INFORMATION (continued)

Water, Sewer, and Solid Waste

Water and Sewer are each accounted for in their own funds and are consolidated for segmentation purposes. The water fund is responsible for providing water to the citizens of Parksville including the maintenance of the water distribution and supply system. The sewer fund is responsible for the maintenance of the sanitary sewer collection system. The planning and development of the systems is provided by the Engineering department. Solid waste collection and disposal is contracted out by the City to the Regional District of Nanaimo.

See Schedule 4 for a detailed summary of the revenues and expenses of each segment for 2011 and 2012.

15. EXPENSES BY OBJECT

The following is a summary of expenses by object:

<u>Expense Object</u>	<u>2012</u>	<u>2011</u>
Wages and benefits	\$ 6,168,381	\$ 5,792,689
Consulting and contract services	4,410,205	4,037,695
Materials and supplies	1,275,831	1,241,419
Office and insurance	437,770	566,150
Amortization of tangible capital assets	3,358,149	3,271,176
Interest	141,388	187,621
Grants	716,855	321,350
	<u>\$ 16,508,579</u>	<u>\$ 15,418,100</u>

16. ANNUAL BUDGET

The financial statements include unaudited budget data from the Annual Budget as adopted by Council on May 7, 2012.

17. COMPARATIVE FIGURES

Certain 2011 comparative figures have been changed to reflect financial statement presentation adopted in the current year.

**CITY OF PARKSVILLE
SCHEDULE OF TANGIBLE CAPITAL ASSETS**

SCHEDULE 1

AS AT DECEMBER 31, 2012

	ASSET COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance December 31, 2011	2012 Additions	2012 disposals	Balance December 31, 2012	Balance December 31, 2011	2012 Amortization	2012 disposals	Balance December 31, 2012	
Land	\$ 47,730,638	\$ 23,369	\$ 351,054	\$ 47,402,953	\$ -	\$ -	\$ -	\$ -	\$ 47,402,953
Land improvements	5,035,001	210,459	-	5,245,460	1,816,064	198,699	-	2,014,763	3,230,697
Buildings	10,898,577	(168)	55,900	10,842,509	1,661,133	224,380	-	1,885,513	8,956,996
Vehicles and equipment	5,392,704	673,756	60,689	6,005,771	2,690,343	480,923	60,689	3,110,577	2,895,194
Roads	50,548,630	2,243,602	290,202	52,502,030	19,322,848	1,223,227	125,358	20,420,717	32,081,313
Drainage systems	23,873,712	189,246	-	24,062,958	6,536,830	402,470	-	6,939,300	17,123,658
Water system & AWS dam	33,630,601	172,362	5,311	33,797,652	8,973,827	555,826	3,183	9,526,470	24,271,182
Sewer system	15,940,274	170,687	14,954	16,096,007	5,026,611	272,624	10,760	5,288,475	10,807,532
Work in progress	2,538,572	(1,036,281)	-	1,502,291	-	-	-	-	1,502,291
	\$ 195,588,709	\$ 2,647,032	\$ 778,110	\$ 197,457,631	\$ 46,027,656	\$ 3,358,149	\$ 199,990	\$ 49,185,815	\$ 148,271,816

AS AT DECEMBER 31, 2011

	ASSET COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE
	Balance December 31, 2010	2011 Additions	2011 disposals	Balance December 31, 2011	Balance December 31, 2010	2011 Amortization	2011 disposals	Balance December 31, 2011	
Land	\$ 46,633,453	\$ 1,097,185	\$ -	\$ 47,730,638	\$ -	\$ -	\$ -	\$ -	\$ 47,730,638
Land improvements	4,873,705	184,230	22,934	5,035,001	1,637,524	187,714	9,174	1,816,064	3,218,937
Buildings	7,683,617	3,214,960	-	10,898,577	1,436,831	224,302	-	1,661,133	9,237,444
Vehicles and equipment	4,832,079	821,822	261,197	5,392,704	2,479,088	457,372	246,117	2,690,343	2,702,361
Roads	50,518,674	116,689	86,733	50,548,630	18,181,285	1,179,496	37,933	19,322,848	31,225,782
Drainage systems	23,595,394	291,392	13,074	23,873,712	6,138,603	399,317	1,090	6,536,830	17,336,882
Water system & AWS dam	33,538,507	101,966	9,872	33,630,601	8,426,662	552,946	5,781	8,973,827	24,656,774
Sewer system	15,924,590	17,212	1,528	15,940,274	4,757,804	270,029	1,222	5,026,611	10,913,663
Work in progress	2,007,227	531,345	-	2,538,572	-	-	-	-	2,538,572
	\$ 189,607,246	\$ 6,376,801	\$ 395,338	\$ 195,588,709	\$ 43,057,797	\$ 3,271,176	\$ 301,317	\$ 46,027,656	\$ 149,561,053

CITY OF PARKSVILLE
 SCHEDULE OF DEFERRED REVENUE - DEVELOPMENT COST CHARGE ACTIVITIES
 AS AT DECEMBER 31, 2012

SCHEDULE 2

	Public Open Space	Water	Sanitary Sewer	Storm Sewer	Roads	<u>2012</u> Total	<u>2011</u> Total
Balance at beginning of year	\$ 2,039,749	\$ 940,074	\$ 69,044	\$ 323,288	\$ 2,559,415	\$ 5,931,570	\$ 6,547,039
Add:							
Development cost charge collections	66,551	290,634	15,658	15,746	223,303	611,892	540,111
Interest	38,297	17,499	1,056	5,053	46,255	108,160	119,784
Less:							
Transfers to:							
General capital projects	-	-	-	(65,869)	(333,273)	(399,142)	(336,613)
Water capital projects	-	(195,362)	-	-	-	(195,362)	(864,065)
Sewer capital projects	-	-	(35,049)	-	-	(35,049)	(74,686)
Balance at end of year	<u>\$ 2,144,597</u>	<u>\$ 1,052,845</u>	<u>\$ 50,709</u>	<u>\$ 278,218</u>	<u>\$ 2,495,700</u>	<u>\$ 6,022,069</u>	<u>\$ 5,931,570</u>

CITY OF PARKSVILLE
SCHEDULE OF STATUTORY RESERVE FUND ACTIVITIES
AS AT DECEMBER 31, 2012

SCHEDULE 3

					<u>2012</u>	<u>2011</u>
	<u>Land Sale Reserve</u>	<u>General Parkland Reserve</u>	<u>Off Street Parking Reserve</u>	<u>Equipment Replacement Reserve</u>	<u>Total Reserves</u>	<u>Total Reserves</u>
Balance at beginning of year	\$ 136,633	\$ 642,315	\$ 211,184	\$ 670,971	\$ 1,661,103	\$ 1,818,449
Add:						
Contributions		44,851			44,851	
Proceeds on sale of equipment				4,500	4,500	87,250
Equipment rental				495,754	495,754	479,300
Interest	2,484	12,109	3,920	12,870	31,383	31,614
Less:						
Transfers to:						
General capital	(12,700)				(12,700)	(191,811)
Equipment operations				(324,263)	(324,263)	(332,514)
Equipment capital				(79,442)	(79,442)	(231,185)
Balance at end of year	<u>\$ 126,417</u>	<u>\$ 699,275</u>	<u>\$ 215,104</u>	<u>\$ 780,390</u>	<u>\$ 1,821,186</u>	<u>\$ 1,661,103</u>

**CITY OF PARKSVILLE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2012**

SCHEDULE 4

	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2012 Consolidated Totals
Revenues									
External taxes	\$ -	\$ -	\$ 487,419	\$ -	\$ 10,494,970	\$ -	\$ 85,207	\$ -	\$ 11,067,596
Fees and charges	27,675	331,947	14,960	293,482	42,560	-	4,291,122	-	5,001,746
Other sources	511,396	-	122,785	64,700	794,368	8,781	138,948	60,356	1,701,334
Capital grants and developer contributions	11,400	250,564	-	-	-	-	366,348	44,850	673,162
Transfers from DCC reserves	-	399,142	-	-	-	-	230,411	-	629,553
Internal charges	-	406,500	-	-	573,961	71,039	-	(1,051,500)	-
Gain (loss) on disposal of tangible capital assets	29,006	(216,244)	-	-	-	-	(6,322)	-	(193,560)
	<u>579,477</u>	<u>1,171,909</u>	<u>625,164</u>	<u>358,182</u>	<u>11,905,859</u>	<u>79,820</u>	<u>5,105,714</u>	<u>(946,294)</u>	<u>18,879,831</u>
Expenses									
Labour	783,349	1,509,237	709,822	833,997	1,634,566	-	601,863	-	6,072,834
Consulting and contract services	2,041,063	630,244	629,749	138,987	175,933	298	746,600	-	4,362,874
Other	224,103	526,686	585,446	21,740	527,545	171,445	516,369	-	2,573,334
Internal charges	52,519	-	18,700	-	-	-	980,281	(1,051,500)	-
Amortization of tangible capital assets	169,958	1,899,788	186,547	-	216,567	-	885,289	-	3,358,149
	<u>3,270,992</u>	<u>4,565,955</u>	<u>2,130,264</u>	<u>994,724</u>	<u>2,554,611</u>	<u>171,743</u>	<u>3,730,402</u>	<u>(1,051,500)</u>	<u>16,367,191</u>
Fiscal Services									
Debt servicing and repayments	-	67,737	-	-	7,823	-	65,828	-	141,388
Segment surplus (deficit)	<u>\$ (2,691,515)</u>	<u>\$ (3,461,783)</u>	<u>\$ (1,505,100)</u>	<u>\$ (636,542)</u>	<u>\$ 9,343,425</u>	<u>\$ (91,923)</u>	<u>\$ 1,309,484</u>	<u>\$ 105,206</u>	<u>\$ 2,371,252</u>

**CITY OF PARKSVILLE
SCHEDULE OF SEGMENTED DISCLOSURE
FOR THE YEAR ENDED DECEMBER 31, 2011**

SCHEDULE 4

	Protective Services	Engineering and Public Works	Parks and Cultural Services	Community Planning	General Government	Other Services	Water, Sewer and Solid Waste	Adjustments and Eliminations	2011 Consolidated Totals
Revenues									
External taxes	\$ -	\$ -	\$ 455,552	\$ -	\$ 10,101,919	\$ -	\$ 88,577	\$ -	\$ 10,646,048
Fees and charges	25,363	309,988	19,180	298,208	53,587	-	3,992,317	-	4,698,643
Other sources	587,497	-	156,345	-	811,671	8,770	122,235	60,154	1,746,672
Capital grants and developer contributions	39,194	446,881	-	-	-	-	192,279	-	678,354
Transfers from DCC reserves	-	336,613	-	-	-	-	938,751	-	1,275,364
Internal charges	-	522,000	-	-	455,852	77,148	-	(1,055,000)	-
Gain (loss) on disposal of tangible capital assets	13,500	(2,375)	-	-	-	-	(4,395)	-	6,730
	<u>665,554</u>	<u>1,613,107</u>	<u>631,077</u>	<u>298,208</u>	<u>11,423,029</u>	<u>85,918</u>	<u>5,329,764</u>	<u>(994,846)</u>	<u>19,051,811</u>
Expenses									
Labour	777,978	1,414,691	748,738	650,545	1,546,662	-	564,160	-	5,702,774
Consulting and contract services	1,685,859	719,993	619,554	85,811	168,401	900	703,335	-	3,983,853
Other	213,589	584,488	558,029	14,899	264,946	186,747	449,978	-	2,272,676
Internal charges	53,136	-	31,000	-	-	-	970,864	(1,055,000)	-
Amortization of tangible capital assets	158,470	1,870,710	186,547	-	175,635	-	879,814	-	3,271,176
	<u>2,889,032</u>	<u>4,589,882</u>	<u>2,143,868</u>	<u>751,255</u>	<u>2,155,644</u>	<u>187,647</u>	<u>3,568,151</u>	<u>(1,055,000)</u>	<u>15,230,479</u>
Fiscal Services									
Interest	-	101,106	-	-	7,909	-	78,606	-	187,621
Segment surplus (deficit)	<u>\$ (2,223,478)</u>	<u>\$ (3,077,881)</u>	<u>\$ (1,512,791)</u>	<u>\$ (453,047)</u>	<u>\$ 9,259,476</u>	<u>\$ (101,729)</u>	<u>\$ 1,683,007</u>	<u>\$ 60,154</u>	<u>\$ 3,633,711</u>